

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF INDIANA
SOUTH BEND DIVISION**

STATE OF INDIANA,)
ex rel. Steve Carter, Attorney General of Indiana)
and the CITY OF EAST CHICAGO,)
ex rel. Steve Carter, Attorney General of Indiana,)
)
Plaintiffs,)
v.)
)
ROBERT A. PASTRICK, et.al.)
)
Defendants.)

No. 3:04-cv-0506-AS

Settlement Agreement and Mutual Release

This Settlement Agreement and Mutual Release ("Agreement") is dated as of Feb 27th, 2008, and is entered into by and among: (1) the State of Indiana ("State") and (2) the City of East Chicago ("City"), by and through the Attorney General of Indiana ("Attorney General"), and (3) Adrian Santos.

For valuable consideration, the sufficiency of which is hereby expressly acknowledged, the Settling Parties agree as follows:

1. In addition to any other terms defined elsewhere in this Agreement, the following terms shall have the following meanings in this Agreement:

- a. "RICO lawsuit" shall refer to the above captioned action.
- b. "Government Settling Parties" shall mean the State, City, and the Attorney General.

c. "Government Releasees" shall mean each of the following persons (in the capacities indicated below) and entities, jointly and severally, and in the capacities indicated below: each of the Government Settling Parties and each of their respective past, present, and future divisions, officials, officers, directors, employees, agents, attorneys, representatives, instrumentalities, assignors, assignees, predecessors, successors, transferors, or transferees.

d. "Santos Settling Party" shall refer to Adrian Santos.

e. "Santos Releasees" shall mean Adrian Santos, his heirs, assigns, representatives, executors, and administrators.

f. "Settling Parties" shall mean the Government Settling Parties and the Santos Settling Party.

g. "Effective Date" shall refer to the date on which the last Settling Party has executed this Agreement.

2. To avoid the expense, time demands, and uncertainty of ongoing litigation, and without making any admission of any kind, the Settling Parties all desire to resolve, compromise, and settle all actual and potential litigation and claims among them concerning and arising out of the RICO Lawsuit, including without limitation all claims that were asserted or could have been asserted in the RICO Lawsuit.

3. As part of this Agreement, Adrian Santos agrees to cooperate fully, truthfully, completely, and candidly with the Attorney General and his designated representatives as to any knowledge of, or involvement in, facts and circumstances giving rise to the RICO Lawsuit, including but not limited to providing truthful and complete interviews, sworn statements, affidavits, and testimony regarding any such knowledge or

involvement, and making any and all relevant documents in his possession available to the Attorney General for inspection and copying.

4. As part of this Agreement, Adrian Santos agrees to refrain indefinitely from holding office, by election or by appointment, beginning on the Effective Date. This section shall apply to any federal, state, legislative, school board or local office. The Government Settling Parties may petition a court with jurisdiction for an injunction against Adrian Santos in order to enforce this section of the Agreement should the need arise.

5. The Santos Releasees hereby completely release, forever discharge, and covenant not to sue each of the Government Releasees as to any and all possible past, present, and future claims of any kind whatsoever, known or unknown, that arise out of or are related to any facts or circumstances existing on or before the Effective Date concerning the facts and circumstances giving rise to the RICO Lawsuit, including without limitation all claims that were or could have been asserted in the RICO Lawsuit. The release provided for in this Section shall not bar any claim for breach of this Agreement.

6. The Government Releasees shall dismiss with prejudice all claims that each of them, jointly or severally, have asserted or could have asserted in the RICO Lawsuit against Adrian Santos.

7. The Government Releasees hereby completely release, forever discharge, and covenant not to sue the Santos Releasees as to any and all possible past, present, and future claims of any kind whatsoever, known or unknown, that arise out of or are related to any facts or circumstances existing on or before the Effective Date concerning the facts

and circumstances giving rise to the RICO Lawsuit, including without limitation all claims that were or could have been asserted in the RICO Lawsuit. The release provided for in this Section shall not bar any claim for breach of this Agreement.

8. Each of the Settling Parties shall act in good faith to effect the timely dismissal of its respective claims or counterclaims against any other Settling Party.

9. Each of the Settling Parties represents and warrants that it has not heretofore assigned or transferred (or purported to assign or transfer) to any person or entity any of these claims such Settling Party has released in Sections 5 or 7 of this Agreement, as the case may be.

10. Each of the Settling Parties acknowledges and agrees that each of its promises, obligations, actions, and undertakings pursuant to this Agreement is supported by good and sufficient consideration.

11. Adrian Santos neither admits nor denies liability. Adrian Santos agrees that except to comply with legal obligations or to respond to civil, criminal, administrative or other proceedings, Adrian Santos shall not make any public statement or file any document that either admits or denies liability. This Agreement does not in any way restrict or limit Adrian Santos from testifying truthfully in the event testimony is given on matters related to the RICO Lawsuit.

12. In the event of any litigation arising out of or relating to this Agreement, the prevailing Settling Party(ies) shall recover from the non-prevailing Settling Party(ies) all costs and expenses paid or incurred by the prevailing Settling Party(ies) in such proceeding, including but not limited to reasonable attorneys' fees, expert witness fees,

and any arbitration fees or expenses initially paid or shared by, or initially allocated to, such prevailing Settling Party(ies).

13. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of Indiana, without regard to conflicts-of-law principles, unless preempted by federal law.

14. Each of the Settling Parties represents and warrants that no other person or entity has, or has had, any interest in the claims, demands, obligations, causes of action, or defenses referred to in this Agreement, and that the signatory for each party signing this Agreement has the right and authority to execute this Agreement.

15. This Agreement may be executed in one or more counterparts, each of which shall be deemed original and all of which shall constitute a single agreement.

16. This Agreement shall be binding upon and inure to the benefit of the Settling Parties and each of their respective predecessors, successors, and assigns, as well as any entities with which any of them have merged or consolidated, or with which any of them may merge or consolidate in the future. None of the provisions of this Agreement are intended to be, nor shall they be deemed to be, for the benefit of any other person or entity, including but not limited to the other named defendants in the RICO Lawsuit.

17. If any provision of this Agreement is unlawful, invalid, or unenforceable for any reason that does not affect the remaining provisions of this Agreement, then all such remaining provisions shall be valid and enforceable as if the unlawful, invalid, or unenforceable provision or provisions had not been included in this Agreement.

18. No rights under this Agreement may be waived or varied except by an express waiver or variation made in writing and signed by the Settling Party against whom the waiver or variation is asserted.

19. For purposes of construing this Agreement, the Settling Parties agree that this Agreement is to be deemed to have been drafted equally by all Settling Parties and shall not be construed strictly for or against any Settling Party.


20. Each of the Settling Parties understands, agrees and intends that this Agreement shall completely and finally resolve, compromise, and settle all actual and potential litigation and claims between and among them concerning the RICO Lawsuit. The Settling Parties further agree after execution of this Agreement each will, upon reasonable request of the other or its counsel, execute and deliver such other documents and instruments and take such other actions as may be required or reasonably necessary to carry out the provisions or intent of this Agreement.

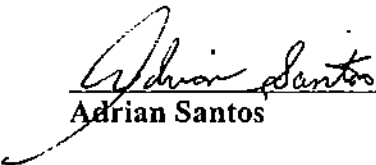
21. With respect to the subject matters contained in this Agreement, this Agreement and the Exhibits attached to it: (a) supersede any and all prior discussions, understandings and agreements between and among the Settling Parties; (b) contain the sole and entire understanding of the Settling Parties; and (c) constitute the final and complete expression of the intent of the Settling Parties. The terms of this Agreement may not be amended, modified, or otherwise altered except by means of a subsequent written document signed by all of the Settling Parties or their designees.

22. It is expressly warranted by the Settling Parties that no promise or inducement has been offered except as set forth herein; that this Agreement is executed without reliance upon any statement or representation of the parties or persons released,

or their representatives, concerning the nature and extent of the injuries, damages and/or legal liability therefore; that acceptance of the consideration set forth herein is in full accord and satisfaction of a disputed claim for which liability is expressly denied.

23. Each of the persons executing this Agreement on behalf of a Settling Party represents that he is expressly authorized to do so by such Settling Party.


Molly C. Johnson,
Deputy Attorney General,
On behalf of Indiana Attorney General
Steve Carter, the State of Indiana and
The City of East Chicago


Adrian Santos